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SOAH DOCKET NO. 473-19-6862  
PUC DOCKET NO. 49737

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APPLICATION OF SOUTHWESTERN  
ELECTRIC POWER COMPANY FOR  
CERTIFICATE OF CONVENIENCE  
AND NECESSITY AUTHORIZATION  
AND RELATED RELIEF FOR THE  
ACQUISITION OF WIND  
GENERATION FACILITIES

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BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS

FILED  
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OFFICE OF PUBLIC UTILITY COUNSEL'S RESPONSE TO  
SOUTHWESTERN ELECTRIC POWER COMPANY'S  
FIRST REQUEST FOR INFORMATION

The Office of Public Utility Counsel ("OPUC") submits this response to Southwestern Electric Power Company's ("SWEPCO") First Request for Information that was received on January 24, 2020. Pursuant to State Office of Administrative Hearings Order No. 2, OPUC's response is timely filed within ten calendar days of receipt of SWEPCO's discovery request. OPUC stipulates that all parties may treat this response as if it were filed under oath.

Dated: February 3, 2020

Respectfully submitted,

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- 1-1. Please provide a copy of all third-party natural gas price forecasts published or developed in the last five years that are in Mr. Nalepa's possession, custody, or control, including an identification of the person or organization that developed the forecast and the vintage of the forecast.

RESPONSE:

Mr. Nalepa has in his possession, custody, or control the natural gas price forecasts provided by SWEPCO in response to OPUC 2-10 and TIEC 1-9, as well as the forecasts included in Mr. Bletzacker's workpapers. He has no other third-party natural gas price forecasts.

Prepared By: Karl Nalepa

Sponsored By: Karl Nalepa

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- 1-2. Please refer to page 28, lines 13 through 14, of Mr. Nalepa's testimony. Please define "short term" as that term is used in this sentence.

RESPONSE:

Mr. Nalepa used "short term" simply in contrast to "long term," and did not have any specific time period in mind. But for purposes of the question, "short term" could be three years or less.

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- 1-3. Please refer to page 27, line 5 through page 28, line 7, of the direct testimony of Mr. Nalepa. How many actual transactions between buyers and sellers are reflected in each year of each of the two NYMEX futures price curves depicted on Figure 4?

RESPONSE:

Mr. Nalepa retained the NYMEX quotes corresponding to the prices reflected in Figure 4. The trade volumes associated with the prices are as follows:

	NYMEX (April 2019)	NYMEX (Jan 2020)
2019	331,988	-
2020	29,364	62,789
2021	89	864
2022	0	3
2023-31	0	0

Note that the trading volume changes throughout the day, so the above volumes only reflect the time period at which the prices were taken.

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- 1-4. Please explain how NYMEX developed the futures contract prices for time periods in which there were no actual contracts between buyers and sellers for the NYMEX futures prices depicted on Figure 4 of Mr. Nalepa's testimony.

RESPONSE:

Mr. Nalepa is not aware of the methodology used to develop the NYMEX futures prices for time periods where there were no contracts between buyers and sellers.

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- 1-5. Please provide Mr. Nalepa's methodology for developing and full justification of the continuation of NYMEX futures values through 2051 on his Figure 4.

RESPONSE:

The NYMEX natural gas futures forecasts on Figure 4 are reflective of natural gas market conditions, and actively traded each day. The trading results in a set of monthly natural gas market prices that are reported by NYMEX. The April 2019 futures forecast was reported out through December 2031 while the January 2020 forecast was reported out to December 2032. Mr. Nalepa took a simple average of the monthly prices that results in annual price forecasts for the period 2020 through 2031 for April 2019 futures and 2020 through 2032 for January 2020 futures. He calculated the annual percent change in prices between the last two years of the forecasts (i.e. 2030 to 2031 for the April 2019 futures and 2031 to 2032 for the January 2020 futures). Mr. Nalepa applied that annual change in price to develop the trend line for each of the two futures price forecasts out to 2051.

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- 1-6. Please identify all electric utilities known to Mr. Nalepa that use 30-year trended NYMEX futures prices, such as developed by Mr. Nalepa for his Figure 4, for system planning purposes. In each instance known to Mr. Nalepa, please provide evidence of such use.

RESPONSE:

Mr. Nalepa is not aware of which utilities may or may not use 30-year trended NYMEX futures prices for system planning purposes.

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- 1-7. Please identify all utilities known to Mr. Nalepa that use NYMEX futures in their system planning forecasts in any fashion and an explanation of how each identified utility uses them in its forecasts.

RESPONSE:

Mr. Nalepa is not aware of which utilities may or may not use NYMEX futures in their system planning forecasts.

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- 1-8. Please refer to page 29, lines 4 through 10 of Mr. Nalepa's testimony. (1) Please provide all bases, including work-papers, calculations, and relevant assumptions, for the claim that under the circumstances described in the Q&A the Selected Wind Facilities will result in a "significant loss for [SWEPCO's] customers." (2) In Mr. Nalepa's opinion, what is the probability of the co-existence of the risks identified in this Q&A. Please provide all bases, including work-papers and calculations, associated with that probability.

RESPONSE:

- (1) The basis for the claim of a significant loss for SWEPCO's customers is simply the impact measured by SWEPCO of each of the referenced risks, as summarized below:

	<u>Customer Benefit</u>
Current gas prices (break-even):	(\$0)
Cost of Gen-Tie:	(\$26 million)
Lower Plant Performance:	(\$386 million)
No Carbon Fee:	<u>(included above)</u>
Loss compared to "breakeven" analysis:	(\$412 million)

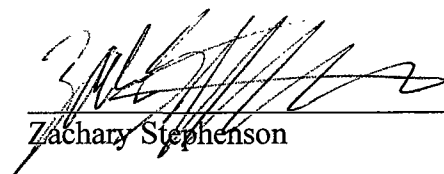
- (2) Given that current natural gas prices are already below SWEPCO's "breakeven" analysis, the probability of a significant loss to customers is real. In addition, there are no current plans for a carbon fee, performance at the proposed P50 level means there is a 50% chance that plant output is less than predicted, and based on SWEPCO's analysis it seems reasonable to expect the need to construct gen-ties in the future. All of these risks lower the project value to customers.

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing document was served on all parties of record in this proceeding on this 3rd day of February 2020 by facsimile, electronic mail, and/or first class, U.S. Mail.

  
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Zachary Stephenson